

~~CONFIDENTIAL~~

12305

Nº 119

CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL 1998
Economic Intelligence Report

THE STAGNATION OF SOVIET AGRICULTURE
1958-62



CIA/RR ER 63-28

September 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

~~CONFIDENTIAL~~

GROUP 1
Excluded from automatic
downgrading and
declassification

0
- 1 -

~~CONFIDENTIAL~~

Economic Intelligence Report

THE STAGNATION OF SOVIET AGRICULTURE
1958-62

CIA/RR ER 63-28

WARNING

~~This material contains information affecting
the National Defense of the United States
within the meaning of the espionage laws,
Title 18, USC, Secs. 793 and 794, the trans-
mission or revelation of which in any manner
to an unauthorized person is prohibited by law.~~

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

00
~ 71-

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

FOREWORD

In November 1962, Party-State Control Committees were established at all administrative levels of the Soviet economy to "re-establish Leninist principles of organizational control." These committees, which collectively resemble the organization of the old Stalinist State Control Ministry, have a charter to pry into every aspect of economic activity and the power to punish those guilty of "bureaucratic administration," fraud, bribery, and violation of party-government regulations. Although these committees are not confined to agricultural organizations, the need for their establishment may have arisen out of the agricultural situation. The stagnation of Soviet agriculture during the past 4 years has limited the incentives of both agricultural and industrial workers, and the regime may have been forced to resurrect this elaborate control mechanism as an alternative means of improving productivity.

This report discusses the lack of progress in Soviet agriculture since 1958, the impact of this stagnation on the availability of food and feed supplies in 1962 and 1963, and current efforts to stimulate Soviet agriculture and improve the food supply. It also includes information on the agricultural situation through 15 July 1963. For additional details on Soviet agriculture, see CIA/RR ER 62-33, Recent Developments in Soviet Agriculture, November 1962 (UNCLASSIFIED) and CIA/RR ER 61-34, Current Problems of Soviet Agriculture, July 1961 (UNCLASSIFIED).

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Summary and Conclusions | 1 |
| I. Shortfalls | 3 |
| A. Crops and Livestock, 1962 | 3 |
| B. Supplies of Food and Feed, 1962/63 | 8 |
| II. Remedies | 11 |
| A. Priority of Agriculture | 11 |
| B. Administrative Reorganization | 12 |
| III. Outlook for 1963 | 14 |

Tables

| | |
|--|---|
| 1. Indexes of Net Agricultural Production in the USSR, 1950-62 | 4 |
| 2. Sown Area in the USSR, 1958, 1961, and 1962 | 5 |
| 3. Production of Major Crops in the USSR, 1940 and 1950-62 . | 6 |
| 4. Production of Major Livestock Products in the USSR, 1940 and 1950-62 | 8 |

Chart

| | |
|--|----|
| USSR: Administrative Structure of Agriculture (as of 1 May 1963) (Unclassified) <u>following page</u> | 14 |
|--|----|

- v -

~~CONFIDENTIAL~~

[p. iv blank]

~~CONFIDENTIAL~~

THE STAGNATION OF SOVIET AGRICULTURE*
1958-62

Summary and Conclusions

Investment in Soviet agriculture increased 16 percent in 1962, the largest annual increase since 1955. In addition, prices for livestock and livestock products purchased by the state were increased to spur the lagging animal husbandry sector, which had been operating at huge losses on most farms. In the main, however, the Soviet leadership pinned its hopes for 1962 on a stopgap program to reduce the fallow area, to plow up sown grassland, and shift both of these acreages to more productive crops. Unfavorable weather reduced crop yields in many important agricultural areas, and the expected benefits of the program to plow-up fallow land and grassland were not realized in 1962. In response to the higher prices and a shortage of feed, production of meat -- which declined in 1960 and 1961 -- recovered in 1962 to a level 5 percent above 1959. There was also a small increase in output of milk as the net result of larger dairy herds but lower yields of milk per cow.

Agricultural production increased rapidly from 1954 to 1958, and the Soviet consumer, long neglected under the Stalin regime, realized a marked improvement in his diet. During this period, Khrushchev's extravagant promises probably conditioned the consumer to expect continued improvement in his lot. There has been little change in net agricultural production since 1958, however, and the per capita availability of most of the basic foods has declined or failed to increase from the annual average of 1958-59. Reports of local food shortages appeared in 1961, and dissatisfaction of the consumer with food supplies was an element that touched off civil disturbances in 1962. Additional elements that fostered discontent in the 1962/63 consumption year were a shortage of potatoes and vegetables in the entire country and a general shortage of food, feedstuffs, and seed in the densely populated northern European USSR. Evidence of shortages, particularly of feed, also appeared in parts of the Ukraine and Kazakhstan. High quotas for state procurement left meager supplies of farm products in many rural areas during the winter of 1962-63.

As in 1954 the Soviet leaders have been confronted with the problem of reviving agriculture. The big difference is that investment funds

* The estimates and conclusions in this report represent the best judgment of this Office as of 1 August 1963.

-4-

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

now are more difficult to come by than they were 10 years ago, and the provision of additional financial support to agriculture, pledged by Khrushchev in January 1961, developed as an indecisive, piecemeal process. During the past year, however, this program has gained momentum -- there has been a definite shift of investment funds to agriculture, and a higher priority has been placed on production of fertilizers and agricultural equipment. On the negative side, strong controls continue to take the place of adequate incentives, and the bureaucratic apparatus continues to stifle initiative at the farm level.

The area seeded to winter grains was increased last fall, but this increase was offset by heavy winterkill in the northeastern Ukraine and adjacent areas of the RSFSR. In the remainder of the winter grain areas, however, moisture reserves at the end of April were reasonably good, and the condition of the crop at mid-May was satisfactory. Although a record area was seeded this spring, the net increase in the total area sown for harvest in 1963 was minor because of the heavy loss of winter grain. The planned extension of the "plow up" program did not materialize, because of shortages of seed and equipment and a very late spring in the European USSR. Although seeding was delayed by the late spring in the European USSR, a favorable warm trend developed after 20 April, and most of the delays were overcome by mid-May. The quality of spring fieldwork has suffered from this speeding-up of seeding. Reserves of soil moisture were low in most of the "new lands" at the end of June, presenting the possibility of another poor harvest from these areas. The severe winter and late spring also complicated the task of stretching inadequate supplies of feed to cover record numbers of livestock. These conditions reduced yields of milk and raised output of meat through distress slaughtering during the first 6 months of 1963.

~~CONFIDENTIAL~~

I. Shortfalls

A. Crops and Livestock, 1962

Although the area seeded to crops in the USSR increased 10 percent from 1958 to 1962, net crop production in 1962 was 15 to 20 percent below the level of 1958, offsetting the gains made in the livestock sector during the period. In view of the 7-percent increase in population since 1958, the lack of growth in Soviet agriculture reaches significant proportions in terms of consumer expectations (see Table 1*).

The sown area in the USSR reached a record high of 216 million hectares in 1962, 20.4 million hectares more than in 1958. Most of this expansion (16.6 million hectares) was realized by the seeding of fallow land, and only 3.8 million hectares sown were net "new lands." As indicated in Table 2,** the expansion was accompanied by considerable shift in the cropping pattern. The area seeded to corn, barley, pulses, and sugar beets increased sharply, but the area devoted to oats and grasses declined. This trend was accelerated in 1962 by Khrushchev's "plow-up" program, which was designed to shift 41 million hectares of fallow land and land sown to grasses and oats to corn, pulses, and sugar beets. In 1962 the fallow area and that sown to grasses and oats declined by 22 million hectares from the level of 1961, more than three times the decline registered in the preceding 3 years.

In contrast to 1958, which was an unusually favorable year for crops, poor weather in many important agricultural areas reduced yields in 1962. The northern half of the European USSR was abnormally cool and wet, the southern half warm and dry. Drought prevailed over much of the "new lands." The middle Volga, the southern Urals, and a part of the central black soil zone were the only areas in the USSR that enjoyed average or above-average conditions for crop development.

The USSR claimed a record grain harvest in 1962 of 147.5 million tons,*** a figure that appears to be a gross exaggeration.† The US estimate -- based on detailed analysis of data on acreage, weather, crop conditions, progress in seeding and harvesting, and procurements -- is that Soviet production in 1962 was about equal to the mediocre crop††

* Table 1 follows on p. 4.

** Table 2 follows on p. 5.

*** Tonnages throughout this report are given in metric tons.

† Western agricultural specialists have discounted Soviet claims for the grain harvest for the years 1958-62 by an average of about 20 percent.

†† Text continued on p. 6.

~~CONFIDENTIAL~~

Table 1

Indexes of Net Agricultural Production in the USSR a/
1950-62

1950 = 100

| <u>Year</u> | <u>Net Agricultural Production</u> | <u>Production Per Capita ^{b/}</u> |
|-------------|--|--|
| 1950 | 100 | 100 |
| 1951 | 91 | 90 |
| 1952 | 103 | 100 |
| 1953 | 104 | 99 |
| 1954 | 107 | 101 |
| 1955 | 123 | 114 |
| 1956 | 139 | 127 |
| 1957 | 139 | 125 |
| 1958 | 155 | 137 |
| 1959 | 149 | 129 |
| 1960 | 153 | 130 |
| 1961 | 165 | 138 |
| 1962 | 158 | 130 |

a. Net agricultural production is a measure of agricultural products available for consumption and industrial use. It is the sum of the price-weighted quantities of the major crops and animal products, including changes in inventories of livestock, with deductions for the amounts of potatoes, grain, and milk fed to livestock (to avoid double-counting) and with deductions of potatoes and grain used as seed.

The indexes are not precise for several reasons: (1) Soviet statistics are of questionable reliability; (2) errors in the estimates of the amounts of potatoes, grain, and milk fed to livestock may be quite large; (3) changes in inventories of livestock are estimated by means of changes in the number of livestock and ignore changes in weight and value; and (4) the choice of a system of weights for aggregating the commodities is arbitrary. Therefore, the indexes are presented as indicators of the direction of change and are not intended to be used as measures of the precise amount of change.

b. Based on midyear population.

~~CONFIDENTIAL~~

~~C O N F I D E N T I A L~~

Table 2

Sown Area in the USSR
1958, 1961, and 1962

| Million Hectares | | | | |
|--------------------------------------|--------------|--------------|--------------|----------------------------|
| Commodity | 1958 | 1961 | 1962 | Total Change ^{a/} |
| Wheat | 66.6 | 63.0 | 67.4 | +0.8 |
| Rye | 18.1 | 16.9 | 17.1 | -1.0 |
| Barley | 9.7 | 13.4 | 16.2 | +6.5 |
| Corn (dry grain and ensiled ears) | 8.1 | 13.2 | 14.2 | +6.1 |
| Pulses | 2.1 | 4.3 | 7.2 | +5.1 |
| Oats | 14.8 | 11.5 | 6.9 | -7.9 |
| Millet | 3.7 | 3.8 | 4.3 | +0.6 |
| Buckwheat | 1.7 | 1.9 | 2.3 | +0.6 |
| Other grain | 0.4 | 0.3 | 0.3 | -0.1 |
| Total grain | <u>125.2</u> | <u>128.3</u> | <u>135.9</u> | <u>+10.7</u> |
| Sown grasses | 31.3 | 36.1 | 27.3 | -4.0 |
| Corn (silage and green feed) | 11.6 | 12.5 | 22.9 | +11.3 |
| Sugar beets (feed) | 0 | 1.3 | 2.8 | +2.8 |
| Other forage crops | 3.6 | 2.0 | 2.1 | -1.5 |
| Total forage crops | <u>46.5</u> | <u>51.9</u> | <u>55.1</u> | <u>+8.6</u> |
| Potatoes | 9.5 | 8.9 | 8.7 | -0.8 |
| Vegetables | 1.5 | 1.4 | 1.5 | 0 |
| Sunflowers | 3.9 | 4.2 | 4.4 | +0.5 |
| Sugar beets (factory) | 2.5 | 3.1 | 3.2 | +0.7 |
| Cotton | 2.2 | 2.3 | 2.4 | +0.2 |
| Other crops | 4.3 | 4.5 | 4.8 | +0.5 |
| Total miscellaneous crops | <u>23.9</u> | <u>24.4</u> | <u>25.0</u> | <u>+1.1</u> |
| Total sown area | <u>195.6</u> | <u>204.6</u> | <u>216.0</u> | <u>+20.4</u> |
| Fallow | 24.0 | 16.1 | 7.4 | -16.6 |
| "New lands" | | | | +3.8 |

a. Increase in 1962 over 1958.

~~C O N F I D E N T I A L~~

~~CONFIDENTIAL~~

in 1961, judged to have been 115 million tons, but short of the record crop of 125 million tons in 1958 (see Table 3).

Table 3

Production of Major Crops in the USSR a/
1940 and 1950-62

| Million Metric Tons | | | | | | |
|---------------------|-----------------|----------|------------------|-----------------------|----------------|-------------------------|
| Year | Grain <u>b/</u> | Potatoes | Other Vegetables | Sugar Beets <u>c/</u> | Sunflower Seed | Ginned Cotton <u>d/</u> |
| 1940 <u>e/</u> | 96 | 75.9 | 13.7 | 18.0 | 2.64 | 0.75 |
| 1950 | 81 | 88.6 | 9.3 | 20.8 | 1.80 | 1.18 |
| 1951 | 79 | 70.0 | N.A. | 23.7 | 1.70 | 1.24 |
| 1952 | 92 | 72.0 | N.A. | 22.3 | 2.20 | 1.26 |
| 1953 | 83 | 72.6 | 11.4 | 23.2 | 2.63 | 1.28 |
| 1954 | 86 | 75.0 | 11.9 | 19.8 | 1.91 | 1.40 |
| 1955 | 107 | 71.8 | 14.1 | 31.0 | 3.80 | 1.29 |
| 1956 | 115 | 96.0 | 14.3 | 32.5 | 3.95 | 1.44 |
| 1957 | 105 | 87.8 | 14.8 | 39.7 | 2.80 | 1.40 |
| 1958 | 125 | 86.5 | 14.9 | 54.4 | 4.63 | 1.45 |
| 1959 | 100 | 86.6 | 14.8 | 43.9 | 3.02 | 1.55 |
| 1960 | 100 | 84.4 | 16.6 | 57.7 | 3.97 | 1.43 |
| 1961 | 115 | 84.3 | 16.2 | 50.9 | 4.75 | 1.51 |
| 1962 | 115 | 68.8 | 15.4 | 47.2 | 4.75 | 1.43 |

a. Data represent official Soviet statistics for all crops except for the grain harvest for the years 1956 and 1958-62, which is estimated.

b. Including barley, buckwheat, corn, oats, millet, rice, rye, wheat, and pulses.

c. Excluding sugar beets grown for livestock feed.

d. Ginned cotton is assumed to equal one-third of procurements of raw (seed) cotton.

e. 1962 boundaries.

Dry weather during the fall of 1961 retarded the development of winter wheat in the Ukraine and Moldavia. Much of this grain was damaged by severe winter weather, canceling the benefits expected from an expansion in the area seeded to high-yielding winter wheat. The corn crop suffered from drought in the Ukraine and the North Caucasus. In July of

~~CONFIDENTIAL~~

~~C-O-N-F-I-D-E-N-T-I-A-L~~

1962 the USSR estimated that corn would be harvested as dry grain on an area of 9.7 million hectares. Actually, fully mature corn was harvested on an area of only 7 million hectares. The spring wheat areas of Siberia and Kazakhstan also were plagued with drought and another serious infestation of weeds.

The major shortfall in agriculture in 1962 occurred in production of potatoes. In November 1962, Khrushchev announced that production of potatoes amounted to 63 million tons. Two months later, in January 1963, the Central Statistical Administration raised this figure to 68.8 million tons.* The revised figure is the lowest for the period 1950-62, the only postwar years for which statistics on potatoes are available. The Soviet figure of 15.4 million tons of vegetables produced in 1962 is the lowest since 1959 -- data on acreage and weather coupled with official concern over shortages of vegetables, however, suggest that actual production of vegetables may have been less than reported. The quantity of factory sugar beets produced in 1962 amounted to only 87 percent of the crop for 1958, in spite of a 27-percent increase in acreage. The harvest of sunflower seeds in 1962 was slightly larger than in 1958 and was equal to the harvest for 1961. An unusually cold spring, a shortage of irrigation water, and damage from wind and hail reduced the cotton crop to the level of 1958. Yields of cotton have declined each year since 1959.

The livestock sector of Soviet agriculture entered 1962 with record numbers of meat-producing animals. The combination of a sharp increase in purchase price for livestock and inadequate supplies of feed resulted in increased slaughtering, and production of meat, which had suffered a decline in 1960 and 1961, recovered in 1962 to a level 5 percent above that of 1959. The Soviet dairy industry continued to grow at a slow pace -- the increase in production of milk since 1959 has amounted to less than 4 percent (see Table 4**). This slow growth has resulted from annual increases in the size of the dairy herds but decreased yields of milk per cow.

* Analysis of adjustments by republic made during this 2-month period casts doubt on the reliability of the national figures for production of potatoes in 1962. Although the upward adjustment of the national figure amounted to only 5.8 million tons, or less than 10 percent, the official figure for the production of potatoes in Belorussia was adjusted upward by 1.56 million tons, or 29 percent. It is difficult to believe that there would be a 29-percent error in the preliminary estimate for this republic, where potatoes are a major source of food and feed.

** Table 4 follows on p. 8.

~~C-O-N-F-I-D-E-N-T-I-A-L~~

Table 4

Production of Major Livestock Products in the USSR a/
1940 and 1950-62

| Million Metric Tons | | | |
|---------------------|-----------------------|-----------------------|-------------|
| <u>Year</u> | <u>Meat <u>b/</u></u> | <u>Milk <u>b/</u></u> | <u>Wool</u> |
| 1940 <u>c/</u> | 4.70 | 33.6 | 0.161 |
| 1950 | 4.87 | 35.3 | 0.180 |
| 1951 | 4.67 | 36.2 | 0.192 |
| 1952 | 5.17 | 35.7 | 0.219 |
| 1953 | 5.82 | 36.5 | 0.235 |
| 1954 | 6.28 | 38.2 | 0.230 |
| 1955 | 6.32 | 43.0 | 0.256 |
| 1956 | 6.60 | 49.1 | 0.261 |
| 1957 | 7.37 | 54.7 | 0.289 |
| 1958 | 7.70 | 58.7 | 0.322 |
| 1959 | 8.92 | 61.7 | 0.356 |
| 1960 | 8.68 | 61.7 | 0.357 |
| 1961 | 8.70 | 62.6 | 0.366 |
| 1962 | 9.40 | 64.0 | 0.372 |

a. Data are official Soviet statistics.

b. In addition to being of questionable reliability, statistics on Soviet production of meat and milk are not comparable with US data for these products, because of differences in definition or concept. Data on production of meat represent slaughter weight, including poultry, slaughter fats, and edible offal.

c. 1962 boundaries.

B. Supplies of Food and Feed, 1962/63

The growth of net agricultural production in the USSR from 1950 to 1954 merely kept pace with the growth in population. The output of most agricultural products during this period remained at the level of 1940 (see Tables 3* and 4). Agricultural production increased rapidly during the years 1955-58, and the Soviet consumer, long neglected by Stalin, realized a marked improvement in his diet. The "new lands" program, the corn program, increased investment in agriculture, higher prices for farm products, and better than normal weather conditions all contributed to this growth. During this period the Soviet consumer was conditioned to expect continued improvement in his lot. In 1957, for example, Khrushchev boasted that the USSR would catch up with the US

* P. 6, above.

~~CONFIDENTIAL~~

in the per capita production of milk by 1958 and in per capita production of meat by 1960 or 1961.* Although these promises were completely unrealistic, there was a significant gain in production of meat and milk during the period 1957-59.

The quality of the Soviet diet reached a peak in 1958-59.** Unusually favorable weather throughout the USSR in 1958 produced a record harvest of grain, an excellent harvest of sugar beets and sunflower seeds, and good crops of potatoes and vegetables. The harvest for 1958 provided relatively abundant supplies of food and of feed for livestock during the latter half of 1958 and the first half of 1959. The relative abundance of feed was reflected in the increased output of meat and milk in 1959.

There has been little change in net agricultural production since 1958, and the per capita availability of many food products has either declined or failed to increase since 1958-59. It is estimated that the per capita availability of grain for food, feed, and stocks in 1962 was 10 to 15 percent below that of 1958-59. The per capita availability of potatoes for food and feed during this period declined about 30 percent. (Per capita consumption of potatoes in the USSR in 1961 was nearly four times that in the US.) The per capita availability of vegetables, which had increased in 1960 and 1961, declined to the level of 1958-59 in 1962, and local shortages were reported.

The per capita production of meat and milk has remained unchanged since 1958-59. Shortages of livestock products and lack of profitability in the livestock sector prompted the regime to raise the state purchase prices for some livestock products in June 1962. This markup was passed on to the consumer -- a move that proved to be unpopular, particularly with the lower income group, which undoubtedly was forced to reduce its purchases of livestock products.

As a minor concession to the consumer, retail prices for sugar and rayon goods were reduced slightly in June. Although the per capita consumption of sugar increased in 1962, the reduction in price was not sufficient to lower significantly the large stocks of sugar, stocks swollen by imports from Cuba. The per capita consumption of sugar has risen sharply and in 1962 was estimated to be almost 50 percent above the level of 1958-59. Sugar, however, is not a staple dietary item,

* Harry Schwartz of the New York Times has pointed out that the 1962 Soviet reprint of Khrushchev's "catch-up" speech of 1957 has been altered. Khrushchev's promise to catch-up with the US in per capita production of meat by 1960 or 1961, for example, has been reworded to eliminate the specific target dates.

** In this and the following comparisons, 1958-59 refers to the estimated annual average for 1958 and 1959.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

and the resentment of the consumer toward the shipment of Soviet butter and other foods to shore up the ailing Cuban economy probably overshadowed his appreciation of a major increase in the supply of sugar.

The Soviet fish catch also has increased sharply in recent years, and the per capita catch in 1962 was about 30 percent larger than in 1958-59. In spite of this large increase, fish remains much less important than meat and milk as a source of animal protein -- in 1962 fish supplied only about 15 percent of the animal protein in the Soviet diet.

The per capita consumption of edible vegetable oil and eggs has increased by about 10 percent and 15 percent, respectively, since 1958-59. In 1962, however, production of eggs amounted to only about 135 eggs per capita. (US production of eggs amounted to about 400 eggs per capita.)

On balance, the quality of the Soviet diet has failed to improve since 1958-59. Furthermore, food and feed have been in short supply in a number of important regions in the USSR. Shortages have had the greatest impact in the northern European USSR.* This area accounts for about 40 percent of the total acreage sown to potatoes in the USSR, and in normal years, 45 percent of the crop. Last year, however, because of abnormally cool, wet weather, the proportional decline in production of potatoes in this area was much greater than in the USSR as a whole. All other crops -- vegetables, rye, hay, corn for silage, and sugar beets for feed -- fared poorly, and there was little opportunity for substituting other locally produced food and feedstuffs for potatoes. The crops gathered from plowed up grassland in this area apparently provided less livestock feed than the hay and pasture normally grown. High procurement quotas left meager supplies of food, feed, and seed on the farms of the northern European USSR. Shortages of feed also reduced the yields of milk and caused distress slaughtering of livestock in this area.

Food and feed also were in short supply during the past winter in portions of the Ukraine. Nikolay Podgorny, Party chief of this republic, stated in April 1963 that production of milk had declined in several oblasts in the Ukraine and that increases in production of meat were achieved by slaughtering underfed livestock. He described the winter condition of livestock on many farms as alarming.

The shortage of feed in Kazakhstan during the past winter was reflected in the high incidence of mortality and barrenness and in the low productivity of livestock. In the entire republic of Kazakhstan,

* Belorussia; the Baltic republics; and the Central, Volga-Vyatsk, and Northwest regions of the RSFSR.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

350,000 sheep were lost during November 1962 through January 1963, and official inspections disclosed large numbers of emaciated sheep in the republic that also would perish if not supplied with supplementary feed.

II. Remedies

As in 1954 the Soviet leaders have been confronted again with the need to provide investment and incentive funds to revive the rural economy and to improve the food supply. Increased costs of programs for space, defense, and industrial construction have placed other demands on these funds, however, and the provision of additional financial support to agriculture, pledged by Khrushchev in January 1961, has developed as an indecisive, piecemeal process. During the past year, however, this program has gained momentum. There has been a definite shift of investment funds to agriculture and a higher priority has been placed on production of fertilizers and agricultural equipment. On the negative side, strong controls continue to take the place of adequate incentives, and the bureaucratic apparatus continues to stifle initiative at the farm level.

A. Priority of Agriculture

Recently published Soviet investment figures indicate improvement in the priority position of agriculture. Investment in agriculture increased 16 percent in 1962, the largest increase in any year since 1955. Investment in agriculture in 1962 represented nearly 20 percent of the total investment in the economy -- the largest share allocated to agriculture since 1956. Agriculture received a larger share of the output of tractors and trucks in 1962 and the first half of 1963 than in the previous 2 or 3 years, although the allocation of trucks to agriculture remained below the annual level that prevailed during 1954-58. The value of agricultural machinery (excluding tractors and trucks), which had declined during 1958-60, reached a record high in 1962 and continued to grow at a high rate in the first 6 months of 1963. Production of mineral fertilizers, which increased 13 percent in 1962, rose 13 percent in the first half of 1963 over the comparable period in 1962. In March 1963 the Party and government took steps to improve storage and distribution facilities for fertilizer with a view to curbing the huge losses of nutrients that had been permitted in the past. Guidelines for the economic plan for 1964-65, announced by the Soviet government in June 1963, give priority to the development of the chemical industry, explicitly in support of the consumer and agricultural sectors, as well as in the production of strategic commodities.

In March 1963 the state purchase price for cotton was raised 20 percent for collective farms and 12 percent for state farms. The

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

measure is intended to restore incentives on the farms that grow cotton and should have a favorable effect on yields of cotton. Since 1957, wages on the collectives that grow cotton have failed to increase, and on some farms have fallen. Yields of cotton per hectare have declined steadily since 1959.

Aside from this increase in the purchase price for cotton, the current trend has been toward the substitution of exhortations and administrative reorganizations for an adequate program of incentives. This trend is illustrated by the response of the leadership to the two major setbacks suffered by agriculture in 1962 -- the shortage of potatoes in the entire country and a general shortage of food and feedstuffs in the northern European USSR. In March 1963, Khrushchev addressed himself to these problems in the form of separate memoranda to the Presidium of the Communist Party of the Soviet Union. His recommendations for increasing output of meat and milk in the northern European USSR, labeled by Pravda as "a profound analysis of a most pressing problem," are summarized in the following quotation from one of his memoranda:

Furthermore, once a farm [in the northern European USSR] has a high density of livestock then there will be more manure on the farm. When there is manure, there will be a harvest, there will be feed. Such are the ABC's of agriculture.

The farmers of the northern European USSR, who probably were compelled to reduce the number of livestock because of a shortage of potatoes and other livestock feed, could not be expected to greet these superficial recommendations with enthusiasm. Khrushchev's analysis of the potato problem, which was equally superficial, was followed in May 1963 by an appeal by the Party and government to increase production of potatoes. The appeal gave no hint of additional material support for the potato grower.

B. Administrative Reorganization

In 1961 the Ministry of Agriculture was divested of the administration of state and collective farms, control over state purchases of agricultural products, and responsibility for the repair of agricultural machinery. These functions were scattered among several government organizations, leaving no clear delineation of primary administrative responsibility.

The reorganization of 1961 weakened the position of the governmental bureaucracy or managerial class and enhanced the position of the

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Party in agricultural administration. The Party Plenum in March 1962, which endorsed another reorganization of agriculture, clarified responsibility and formalized the dominant position of the Party in the administration of Soviet agriculture. Although the March plenum established a Union Agricultural Committee as the top coordinating body, the Party presidium continued to decide agricultural policy. This policy was administered through the Party first secretaries of the various republics and oblasts who, for the first time, became a formal part of the state administrative machinery for agriculture. These first secretaries chaired government agricultural committees at the republic and oblast level. Ministries and Directorates of Agricultural Production and Procurement at the republic and oblast level were subordinate to these committees. At the local level, party organizers -- subordinate to the Oblast Party Committees and vested with wide responsibilities and powers -- were installed in the government interrayon production directorates for state and collective farms. Many of the responsibilities of rayon organizations were transferred to these directorates.

The Party Plenum of November altered these arrangements somewhat as shown in the accompanying chart.* Party bureaus for agriculture were established at the national and republic levels, and Oblast Party Committees and Oblast Executive Committees for agriculture were established at the oblast level. At the local level, the weakened rayon organizations were abolished, with the production directorates for state and collective farms absorbing the remaining personnel and duties of these organizations. The party organizer was elevated to the status of chief of the Party committee of the directorate.

Within the Party presidium, Dmitry Polyansky apparently has been vested with primary responsibility for agriculture, aided by Leonid Yefremov and Vasily Polyakov. Polyansky, a full member of the Presidium of the Communist Party of the Soviet Union since 1960, was replaced by Gennady Voronov as Chairman of the Council of Ministers of the RSFSR in November 1962 and was appointed as a Deputy Chairman of the Council of Ministers of the USSR. Polyansky addressed a conference of directors of state farms and chairmen of collective farms in Tselinograd in January 1963 and, with Yefremov and Polyakov, took part in a conference on mechanization of the livestock industry in Moscow in April 1963. In May 1963, Polyansky returned to Kazakhstan for an 8-day farm tour to determine the progress of spring fieldwork. Yefremov, who delivered a major speech in March 1963 at an agricultural meeting for the RSFSR held in Moscow, was elected a candidate member of the Party presidium in November 1962 and was transferred from his post of first secretary of the Party Committee of Gor'kovskaya Oblast to replace

* Following p. 14.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Voronov as a first deputy chairman of the Party Bureau for the RSFSR in December 1962. In July 1963, Yefremov took part in an agricultural plenum in Krasnodar. Formerly chief editor of the party agricultural newspaper Sel'skaya zhizn' and chief of the agricultural section of the Party for union-republics, Polyakov joined the Central Party Secretariat and became chief of the new Party Bureau for Agriculture in November 1962. He delivered major speeches at the Uzbek Party plenum on cotton growing held in February 1963 and at regional agricultural meetings in the Baltic republics during March and April 1963. In June 1963, Polyakov took part in a conference on problems of soil erosion at the Lenin Agricultural Academy.

The reorganizations of 1962 have not solved the basic problem of giving more flexibility to decision-making at the farm level, which is so necessary in agriculture. Stifling of initiative at the farm level is a major factor contributing to the unsatisfactory food and agricultural situation.

III. Outlook for 1963

Water-logged fields impeded fall plowing and seeding in the northern European USSR, and the farmers of this area faced a workload in the spring of 1963 that was heavier than usual with inadequate supplies of equipment and seed. In many other regions, dry weather favored the early completion of fall fieldwork, however, and the area seeded to winter grain (primarily wheat) increased. All of this increase was negated by unusually dry conditions in the fall that prevented germination in some areas and by harsh winter conditions that resulted in some winterkill, especially in the Northeastern Ukraine and in parts of the central black soil zone, the North Caucasus, and the Volga Valley. In general moisture reserves at the end of April in most of the winter grain areas were reasonably good, and the condition of the crop at mid-May was satisfactory.

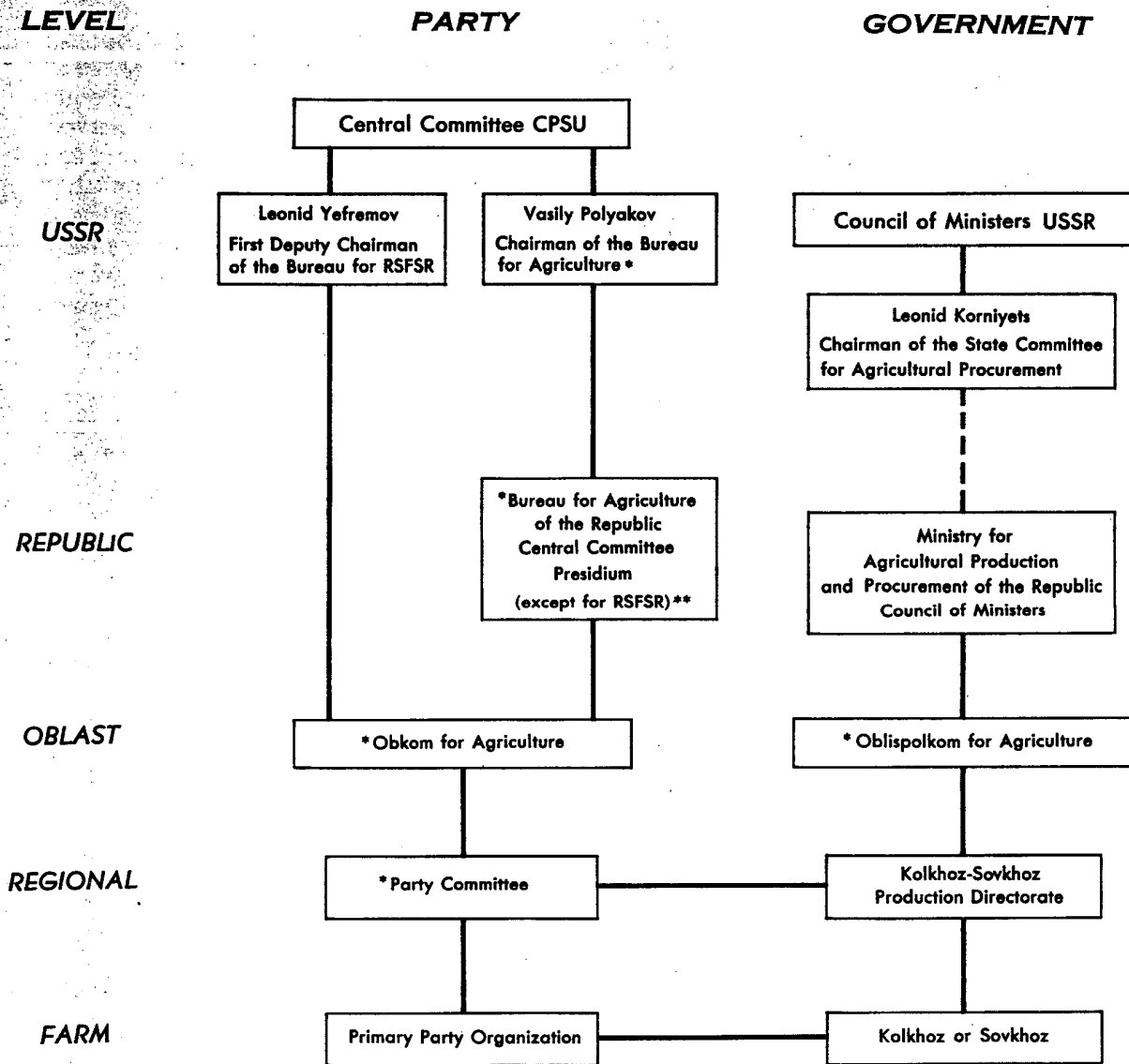
A record area was seeded to crops this spring. Because of losses of winter grain, however, the net increase in the total sown area (including fall and spring sowings) amounted to only 2 million hectares compared with an increase of more than 11 million hectares in 1962. Because of shortages of seed and equipment and a very late spring in the European USSR, the planned extension of the "plow up" campaign did not materialize. The area devoted to crops currently in disfavor, sown grasses and oats, was reduced by only 3.5 million hectares in 1963 in contrast to a reduction of 13.4 million hectares in 1962. Although the area seeded to pulses increased, this increase was largely offset by a decline in the area sown to the other favored crops, corn and sugar beets for feed. Shortages of seed, particularly in the Northern European USSR, apparently caused some reduction in the area devoted to potatoes, vegetables, and fiber flax.

~~CONFIDENTIAL~~

USSR

ADMINISTRATIVE STRUCTURE OF AGRICULTURE

(as of 1 May 1963)



*Formed in November-December 1962.

**The Soviet Press has made references to a "Bureau for Agriculture of the RSFSR," but it is not clear where this bureau fits in the administrative structure.

~~C O N F I D E N T I A L~~

Spring sowing was delayed by 2 to 3 weeks in parts of the European USSR because of unusually cold weather, but a favorable warm trend developed after 20 April, and most of the delays in the spring planting of grain crops were overcome by mid-May. May was warmer and drier than normal throughout the European USSR, but there was some increase in the amount of rainfall in June, particularly in southern Ukraine, the Central Region, and the Volga Valley.

In contrast to the late spring in the European USSR, much of the "new lands" area of western Siberia and northern Kazakhstan experienced an early spring, and fieldwork began earlier than usual. A severe cold spell developed in mid-April, however, and temperatures fell to as low as 0° F, slowing the progress of spring seeding in this area. Cool weather continued in some regions of the "new lands" with night frosts recorded at the end of May. Following a dry spring, moisture reserves at the end of June were low in most of the "new lands," presenting the possibility of another poor harvest from these areas.

Although the planting of cotton was practically complete by mid-May, heavy rains in parts of Uzbek and Tadzhik SSR's, the two most important cotton-growing republics, destroyed some early plantings and will require some replanting. The development of sugar beets and sunflowers, the sowing of which is generally completed by mid-May, is well behind schedule -- in some areas by as much as 2 to 3 weeks. The severe winter also will have a negative effect on the fruit crop for 1963. Some vineyards and fruit trees were destroyed by the extremely low temperatures in the southern regions of European USSR, especially in Moldavia where, for the first time in 50 years, winter temperatures dropped to -30° F.

At the present time a harvest forecast for spring-sown crops is premature because weather subsequent to spring planting will largely determine the fate of these crops. It should be pointed out that 1958, a banner year for Soviet agriculture, likewise had an inauspicious beginning. It appears unlikely, however, that the conditions of 1958 will be duplicated in 1963. The late spring in 1963, combined with the exceptionally large quantity of fieldwork to be done in a shorter period, placed considerable pressure on Soviet farmers, and there have been numerous reports in the press concerning the poor quality of spring fieldwork.

The long and severe winter, combined with inadequate supplies of feed to maintain the record herds of livestock, resulted in some distress slaughtering of animals and a reduction in yields of milk in the first 6 months of 1963. From June 1962 through June 1963 the number of swine in the USSR declined because of distress slaughtering.

~~C O N F I D E N T I A L~~

~~C-O-N-F-I-D-E-N-T-I-A-L~~

Slaughtering of swine probably was heaviest in the principal potato-growing areas, particularly in the European USSR. If normal weather conditions prevail for the remainder of the year, supplies of feed should be improved above those of 1962, and some increases in production of meat and milk can be expected in 1963.

- 16 -

~~C-O-N-F-I-D-E-N-T-I-A-L~~

page 17 blank